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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF

THE SECURITIES EXCHANGE ACT OF OF 1934

For Quarter Ended October 31, 1991 Commission File No. 0-4186

SEQUENTIAL INFORMATION SYSTEMS, INC.
(Exact name of registrant as specified in its charter)

| New York | 13-1948169 |
|---|---|
| (State or other jurisdiction of incorporation or organization) | (IRS Employer Identification No.) |
| 160 Broadway, New York, NY | 10038 |
| (Address of principal executive offices) | (Zip Code) |

Registrant's telephone number, including area code: 212-587-9513

Former name, former address and former fiscal year, if changed since last report.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months, (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes_____ No__X__

Number of common shares outstanding as of May 6, 1992: 253,455,563

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SEQUENTIAL INFORMATION SYSTEMS, INC.

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Sequential Information Systems, Inc. and Subsidiaries
Consolidated Balance Sheets
(Unaudited)

| | October 31, 1991 | July 31, 1991 |
|---|---|---|
| **Assets** | | |
| Current Assets: | | |
| Cash and Cash Equivalents | $ 351,651 | $ 416,853 |
| Receivables - Net of Allowances | 354,571 | 408,000 |
| Inventories - Net | 2,168,677 | 2,220,528 |
| Loans Receivable | 449,153 | 351,613 |
| Prepaid Expenses and Other Current Assets | 49,418 | 46,675 |
| Total Current Assets | 3,373,470 | 3,443,669 |
| Property, Plant and Equipment - Net | 76,705 | 77,631 |
| Other Assets: | | |
| Deferred Charges and Other Assets | 78,382 | 74,482 |
| Accounts Receivable - Long Term | 201,000 | 201,000 |
| Notes Receivable | 297,940 | 297,940 |
| Investments - Common Stock | 105,158 | 105,158 |
| Total Other Assets | 682,480 | 678,580 |
| Total Assets | $4,132,655 | $4,199,880 |

See Notes to Consolidated Financial Statements.

Sequential Information Systems, Inc. and Subsidiaries
Consolidated Balance Sheets
(Unaudited)

| | October 31, 1991 | July 31, 1991 |
|---|---|---|
| Liabilities | | |
| Current Liabilities: | | |
| Accounts Payable and Accrued Expenses | $ 855,717 | $ 914,071 |
| Notes Payable | 670,541 | 661,276 |
| Accrued Payroll Taxes and Related Expenses | 228,773 | 220,223 |
| Accrued Interest | 212,074 | 232,656 |
| Capital Lease Obligations | 18,745 | 22,442 |
| Total Current Liabilities | 1,985,850 | 2,050,668 |
| Shareholders' Equity | | |
| Preferred Stock | 2,962 | 2,962 |
| Common Stock | 2,534,573 | 2,534,573 |
| Additional Paid - In Capital | 15,027,543 | 15,027,543 |
| Retained Earnings (Deficit) | <15,418,273> | <15,415,866> |
| Total Shareholders' Equity | 2,146,805 | 2,149,212 |
| Total Liabilities and Shareholders' Equity | $4,132,655 | $4,199,880 |

See Note to Consolidated Financial Statements.

Sequential Information Systems, Inc. and Subsidiaries
Consolidated Statements of Operations
(Unaudited)

| | Three Months Ended October 31, 1991 | 1990 |
|---|---|---|
| Revenues | | |
| Fees and Services | $ 75,417 | $ 30,823 |
| Product Sales | 872,763 | 1,017,582 |
| Total Revenues | 948,180 | 1,048,405 |
| Direct Costs | | |
| Direct Costs - Fees and Services | 28,925 | - |
| Direct Costs - Product Sales | 588,677 | 714,655 |
| Total Direct Costs | 617,602 | 714,655 |
| Gross Profit | 330,578 | 333,750 |
| Selling, General and Administrative Expenses | 295,879 | 265,959 |
| Profit (Loss) from Operations | 34,699 | 67,791 |
| Interest Expense | 37,105 | 26,546 |
| Profit (Loss) for Continuing Operations | < 2,406> | 41,245 |
| Discontinued Operations | | |
| Profit from Operations of Disposed of Segment | - | 88,613 |
| Net Income (Loss) | $< 2,406> | $ 129,858 |
| Income (Loss) per Common Share | $ - | $ - |
| Weighted Average Number of Common Shares | 253,457,366 | 253,457,366 |

See Notes to Consolidated Financial Statements.

Sequential Information Systems, Inc. and Subsidiaries
Consolidated Statements of Cash Flows
(Unaudited)

| | Three Months Ended October 31, 1991 | 1990 |
|---|---|---|
| **Cash Flows from Operating Activities** | | |
| Net Income (Loss) | $< 2,406> | $ 129,858 |
| Adjustments to Reconcile Net Income (Loss) to Net Cash Provided by Operating Activities: | | |
| Depreciation and Amortization | 926 | 22,020 |
| Write-off of Customer Lists | - | 16,500 |
| Change in Assets and Liabilities: | | |
| Decrease (Increase) in Receivables | 53,429 | < 10,560> |
| Decrease in Inventories | 51,851 | - |
| Decrease in Loan Receivable | 2,460 | - |
| (Increase) in Prepaid Expenses | < 2,743> | < 8,703> |
| Increase in Income Taxes Payable | - | 1,000 |
| (Decrease) Increase in Accounts Payable and Accrued Expenses | < 58,355> | 10,463 |
| Increase (Decrease) in Notes Payable | 9,265 | < 7,260> |
| Increase (Decrease) in Accrued Payroll Taxes and Related Expenses | 8,550 | < 24,354> |
| (Decrease) Increase in Accrued Interest | < 20,582> | 16,748 |
| Total Adjustments | 44,801 | 15,854 |
| Net Cash-Operating Activities | 42,395 | 145,712 |
| **Cash Flows from Investing Activities** | | |
| Loans Made | < 100,000> | - |
| (Increase) in Deferred Charges and Other Assets | < 3,900> | < 723> |
| Company Acquired Net of Cash | - | < 50,904> |
| Net Cash-Investing Activities | < 103,900> | < 51,627> |
| **Cash Flows form Financing Activities** | | |
| Payments under Capital Lease | < 3,697> | - |
| Net Increase (Decrease) in Cash | < 65,202> | 94,085 |
| Cash-Beginging of Period | 416,853 | 11,991 |
| Cash-End of Period | $ 351,651 | $ 106,076 |

See Notes to Consolidated Financial Statements.

SEQUENTIAL INFORMATION SYSTEMS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

1. In the opinion of the Company, the accompanying unaudited financial statements contain all adjustments (consisting of only normal recurring accruals) necessary to present fairly the financial position of the company as of October 31, 1991 and July 31, 1991 and the results of its operations for the three months ended October 31, 1991 and 1990 and changes in cash flows for the three months then ended.

The accounting policies followed by the Company are set forth in Note 1 to the Company's financial statements in the July 31, 1991 Sequential Information Systems, Inc. Annual Report which is incorporated by reference on Form 10-K.

2. The results of operations for the three months ended October 31, 1991 and 1990 are not necessarily indicative of the results to be expected for the full year.

3. Earnings per common share is computed by dividing the net income for the period by the weighted average number of common shares outstanding. Stock options and warrants have not been included in the computation of earnings per common share, as the result would be immaterial.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF

FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Financial Condition

Cash flow decreased approximately $65,000 from $417,000 at August 1, 1991 to $352,000 at October 31, 1991. The decrease was attributable to an excess of cash used in investing and financing activities which exceeded cash flows provided by operating activities.

Results of Operations

Revenues decreased approximately $100,000 or 10% from the year earlier quarter. Again in consulting fees and services revenues of $45,000 or 145% was more than offset by a decrease in product sales of $145,000 of 14%.

Selling, general and administrative expenses increased approximately $30,000 or 11% from the year earlier quarter. Higher professional fees and personnel costs were the primary reasons for the increase.

Interest expense increased approximately $11,000 or 40% from the previous fiscal quarter as a result of an increase in debt from the prior period.

## PART II. OTHER INFORMATION

### ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(b) REPORTS ON FORM 8-K - There were no reports on Form 8-K filed for the three months ended October 31, 1991.

## SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

SEQUENTIAL INFORMATION SYSTEMS, INC.
(Registrant)

LEWIS S. SCHILLER
(President, Chief Executive &
Chief Financial Officer)

3/6/92
(Date)